



**SBA Supporting and Encouraging Economic
 Development Through Entrepreneurship**
 July, 2004



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HEADING INTO THE STRETCH RUN ...

The 7(a) lending level for the Cleveland District Office continues to run at a record pace, up approximately 30% above where it was a year ago.



The local increase continues to exceed both the Agency's national and regional increases. With our September 30 fiscal year end fast approaching, now is the time to book your SBA loans!

The following is a table showing the lending activity of the most active participants in the district as of May 31, 2004.

Bank	Number of Loans	Dollars (in thousands)
National City Bank	172	\$15,662
Bank One	82	\$15,148
Sky Bank	77	\$11,359
U.S. Bank	69	\$5,905
FirstMerit Bank	58	\$13,271
KeyBank	56	\$13,258
Capital One Fed. Savings Bank	54	\$2,140

504 LENDING UP 40% THIS YEAR!!!

Lenders remain very active in the 504 arena.

The following are the top lenders in 504 through May 31, 2004:

Lender	Number of 504s
FirstMerit	11
KeyBank	11
Bank One	8
SkyBank	6
National City Bank	4

RICHARD BEDNAR CHOSEN SMALL BUSINESS PERSON OF THE YEAR

Richard Bednar,
 founder and Chief
 Operating Officer of Hunter's
 Manufacturing Co., Inc., dba TenPoint
 Crossbow Technologies of Suffield, Ohio, was
 named Small Business Person of the Year by
 the Cleveland District Office of the U. S.
 Small Business Administration (SBA).



In announcing the award, the District Director of the Cleveland office of the U. S. Small Business Administration, Mr. Gilbert Goldberg stated, "Richard Bednar is your classic entrepreneurial success story, demonstrating staying power through

adversity, persevering to grow a company that offers a very unique product line. It is with great pride that we offer our congratulations to Richard Bednar on this well-deserved honor.”

Mr. Goldberg noted that Mr. Bednar’s nomination was judged on seven criteria: staying power; growth in number of employees; increase in sales and/or unit volume; strong current and past financial reports; innovativeness of product or service offered; response to adversity; and contributions by nominee to aid community-oriented projects.

Please see related article on Mr. Bednar and his company in the Profiles in Success section of this newsletter.

SBA also honored several small business advocates with SBA Champion Awards. Awardees are individuals that have used their professional expertise or personal talents to further the understanding and awareness of small business. These individuals have taken an active role in creating opportunities for small business. This year’s Champion awardees were:

SBA Region V, State of Ohio and Cleveland District Veteran Small Business Advocate of the Year: Ron Seman of The Greater Cleveland Veterans Business Resource Council

SBA State of Ohio and Cleveland District Financial Services Advocate of the Year: Romona Davis Washington, Vice President, Second National Bank

SBA Cleveland District Women in Business Advocate of the Year: Melissa Rowitz, Vice President of Small Business Banking, National City Bank

“This year we are delighted to recognize these awardees significant contributions to the small business community of Northeast Ohio”, Mr. Goldberg added. “They exemplify small business at its best.”

The President of the United States designates one week each year as National Small Business Week in recognition of the small business community’s contribution to the American economy. This celebration honors the estimated 23 million small businesses in America that employ more than half the country's private work force, create 60 to 80 percent of net new jobs annually, and generate a majority of American innovations.

All award winners were honored at an awards ceremony at Windows on the River in Cleveland on May 14. The awards presentation breakfast was sponsored by COSE. *See the business profile [Hitting the Target](#) further on in this newsletter.*

Small Firms Take Advantage of E-Procurement Tools

Study Indicates Small Firms May Be More Reliant On E-Procurement

A new study indicates that small firms may rely more on e-procurement tools for obtaining federal contracts than do their larger counterparts. Dr. Chad Moutray, Chief Economist for the Office of Advocacy released those findings at the Business Matchmaking Workshop Plus+++ session in Detroit, co-sponsored by the U.S. Small Business Administration and HP.

“Small businesses are clearly taking advantage of the federal government’s newer e-procurement tools and simplified acquisition

procedures,” SBA Administrator Hector V. Barreto said.

“These e-tools and the SBA’s Business Matchmaking sessions are helping fulfill President Bush’s commitment to saving taxpayers dollars by ensuring full and open competition to government contracts.”

Among their findings, the report’s authors noted that certain barriers appear to prevent small businesses from more effective use of e-procurement. These include shifts in the government’s e-procurement system, the expense of monitoring procurement offerings, and confusion over multiple points of entry to procurement systems.

The Office of Advocacy funded the report, Trends in Electronic Procurement and Electronic Commerce and Their Impact on Small Business, which was written by Innovation & Information Consultants.

The largest small business initiative in SBA history, Business Matchmaking is a public/private partnership between the SBA and HP that provides a major economic stimulus to small businesses by decentralizing the procurement process and taking contract opportunities to the streets of America.

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For more information, visit the Office of Advocacy website at www.sba.gov/advo.

SBA Launches Business.gov Web Site to Connect Businesses with Federal Agencies

The U.S. Small Business Administration today announced the launch of a Web site that will serve as the business gateway for U.S. businesses to connect with federal agencies, providing

specific business tools and resources. Currently in its initial phase, Business.gov is a powerful Web site that will provide one-stop, online federal government information and services that businesses need and can access in one easy-to-find location.



“In today’s fast-paced marketplace, small business owners don’t have time to go to dozens of Web sites to find information they need to run their business. Today we are providing them with a single, convenient Web site where they can access vital business information quickly, giving them more time to do what they do best: grow their businesses and create jobs,” said SBA Administrator Hector V. Barreto.

Business.gov provides information and links to:

- Business Development: information on starting, managing, and marketing a business.
- Financial Assistance: resources for capital and credit.

- Taxes: federal and state tax resources, forms and assistance.
- Laws and Regulations: Laws, regulations and other resources that affect business.
- International Trade: information on export promotion, trade finance, and trade leads.
- Workplace Issues: information on employee wellness, workplace safety, benefits, and the family-friendly workplace.
- Buying and Selling: links for doing business with the government
- Federal forms: finding government forms businesses need to conduct business, expand and grow.

Business.gov is slated to add more resources by the Fall of 2004, including more information, sources and links designed to help businesses get the right information at the right time from home or office and on their desktops, laptops or PDAs. Business.gov also will add special “wizards” to help businesses find answers to their questions, fill out forms, save time and be more productive.

One of the 24 e-government initiatives of the federal government, www.Business.gov, is an official Web site of the U.S. Government and is operated and maintained by the SBA.

Small Business by the Numbers



The Office of Advocacy has recently updated our “Small Business by the Numbers”

statistics on small business. The easily printed, complete FAQ with tables is on

our web site at <http://www.sba.gov/advo/stats/sbfaq.pdf>.

We know that small business is a vital part of our economy and our communities. You can help us spread that word by directing people to our web site, printing and distributing the FAQ, and using these statistics when appropriate.

Changes in this newest update include raising the estimated number of businesses to 23.7 million (of which 99.7% are small businesses) and estimating the number of new firms and firm closures for 2003, which are 572,900 and 554,800 respectively.

SBA Unveils New Teen Web Site Aimed At Young Entrepreneurs;

The U.S. Small Business Administration announced earlier this week the unveiling of its new teen entrepreneur Web site to target young entrepreneurs who want to start, run or grow their own businesses, and today announced the winners of the Young Entrepreneur Program Business Plan Competition.

The launch of the Young Entrepreneur Online Guide to Business, at <http://www.sba.gov/teens>, was made during the kick off of the Young Entrepreneur Program, a two-day forum for young entrepreneurs to provide practical entrepreneurial training and to promote leadership and management skill building.

The announcement of the new Web site was made by Cheryl A. Mills, associate deputy administrator for Entrepreneurial

Development for the SBA. The Web site will provide young entrepreneurs with a learning tool to help them succeed in the 21st century world of small business. It is designed to introduce teenagers to the concept of small business ownership as a viable career choice by helping them shape their dreams of entrepreneurship.

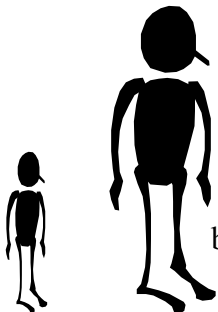
“Young minds of today will be the force for business growth and job creation in the future,” said Mills. “The spirit of enterprise is the most powerful economic force in the nation, and the SBA wants to be a partner for success.”

The Web site features small business basics from brainstorming to evaluating a business idea, developing a business plan, learning from successful young entrepreneurs, making wise financial decisions and access to SBA’s entrepreneurial development partners and services.

Other highlights of the Web site include information on legal issues that need to be addressed when starting a business, links to youth organizations that concentrate on youth entrepreneurship and links to mentoring and peer groups

SBA to Revisit Size Standard Proposal

Agency Responds to Customer Comments by Re-Examining Rule



The U.S. Small Business Administration (SBA) today announced that it is withdrawing proposed rules that would have changed the standards by which a business is designated ‘small’ for the purposes of government programs.

“Administrator Barreto has worked hard to make the SBA more like the small businesses it serves every day, and that means being responsive to our customers,” SBA Associate Deputy Administrator for Government Contracting Allegra McCullough said. “That is why we have decided to revisit this issue. All new rules have a 60 day comment period. Because we knew this issue was so important to America’s small business owners, we actually extended that period to 105 days. During that time, we strongly encouraged our small business customers to contact us with their thoughts on the revisions. They did just that, and what they told us was, ‘good intention, good idea, but needs a little more work.’”

“We are here to serve those small business owners, and we take their concerns very seriously,” McCullough continued. “That is why we are going to step back and study this rule further. There is no doubt that our current system of size standards is in need of simplification, but we want to make absolutely sure that we do it in the right way. This issue is important to our mission, and it’s important to America’s small business owners.”

HITTING THE TARGET

Many dream about making their passion or hobby into a career, but few make it happen.

Rick Bednar, Executive Vice President and Chief Operating Officer of rapidly growing Hunter’s Manufacturing Company, dba TenPoint Crossbow Technologies, is the exception to the rule. A passion for archery lead Rick to



establish TenPoint Crossbow Technologies in 1994, and the company is now recognized as an emerging leader in the hunting crossbow industry.

Rick grew up in a home attached to Portage Archery Center, a family-owned business started by his parents, so he learned how to operate a bow and arrow at a very early age. He grew passionate about archery and ultimately earned many accolades and awards as a competitive archer and bow hunter. While in college, Rick earned honors as a NCAA All-American archer and as a three-time NCAA Champion. He represented the U.S. in the Pan American Games, and he qualified as an alternate on the 1976 U.S. Olympic Team.

Growing up in a family-owned small business also helped develop Rick's passion for being his own boss. His career has included stints of running the family archery business and helping to form another Ohio-based crossbow manufacturer that he helped grow into an industry leader. At a crossroads in his life in 1994 following a falling out with his partners in that other firm, Rick joined with George Gardner in forming what has become TenPoint Crossbow Technologies.

TenPoint's early years saw the company plagued by supplier problems, severe competition, mounting losses, and Rick's own health crisis. The company's early struggles to meet projections caused a falling out with its original lender. Rick called upon the lending industry relationships that he had developed from his prior ventures and contacted John Falatok of the Second National Bank of Warren for help. John knew Rick's character and talents and used that knowledge to convince his bank to restructure TenPoint's debts through a \$600,000 SBA-guaranteed loan.

These early adversities served to strengthen Rick's resolve, and the marketplace began to recognize TenPoint's superiority in product design and quality. The company reached its stride in the late 90s, beginning a pattern of revenue, profit and employee growth that continues today. TenPoint's sales have increased approximately 104% since '00, and its employment has almost tripled from an initial 11 employees to a current 32. Additional SBA guaranteed loans through Second National Bank of Warren have helped support this impressive growth.

TenPoint continues to introduce new and better crossbows to a hunting marketplace that continues to grow, driven by more liberalized crossbow hunting regulations, the increasing deer population in urban areas, and the improvement in overall crossbow technology. TenPoint celebrates its 10th anniversary in 2004, and it expects to continue to grow its reputation as an industry leader in innovation and crossbow design.

Rick Bednar has clearly done what most of us dream of doing – turning a passion into a successful career!

SBA Releases New Web-Based Lender Interface

E-Tran will allow lenders to submit multiple applications simultaneously

The U.S. Small Business Administration announced today that a new Web-based loan application solution developed by the agency is now available to participating lenders, creating an electronic gateway that will save lenders substantial time and resources when submitting a loan to the SBA.

In response to lender requests to the agency, the SBA opened the E-Tran technology to the software providers for the lending industry, allowing participating lenders to submit loans to the agency with little or no additional effort.

Now, in addition to submitting loans electronically directly to the SBA, lenders who subscribe to those services can submit loans directly to the SBA via these software providers.

With the introduction of E-Tran, lenders are able to have direct loan submission and immediate response from the agency, thus reducing the 24-hour response time by the agency.

The SBA created E-Tran to allow lenders of any size to take advantage of the efficiencies of electronic application submission. For this reason the agency introduced a number of channels, including:

- A Web page where lenders can enter loan information for single loans;
- A secure Web site capable of accepting multiple applications simultaneously via an XML (Extensible Markup Language) file transfer; and
- Working with software intermediaries that have E-Tran loan submission functionality built into their program.

“We have worked very hard to develop an electronic interface to our lending program. By using technology, we are able to dramatically decrease the time and cost associated with originating a loan,” SBA Administrator Hector V. Barreto said. “We are being responsive to our partners, and in turn giving greater access to capital. We are also implementing President Bush’s call to minimize burden on business by reusing data previously collected, or using XML or other open standards.”

Bankers Systems, a leading provider of compliance resource solutions for financial organizations, will be the first provider in the SBA lending marketplace to take advantage of E-Tran through the company’s proprietary software, which is being released to participating lenders.

“We are excited to make this technology available to our partners through leading software intermediaries. We hope to increase the number of intermediaries that we work with in the future to reduce the cost of loan origination to all of our lenders,” Barreto said.

Ensuring Accuracy of Electronic Versions of SBA Forms

This notice serves as a reminder that all SBA employees, certified development companies (CDCs), and lenders participating in the 7(a) and 504 business loan programs must take steps to ensure that electronic versions of SBA forms are exact reproductions of the original forms.

An SBA employee recently brought to the attention of the Office of Inspector General (OIG) that a company which supplies software to lenders to allow creation of electronic SBA forms was providing an inaccurate version of Form 912, Statement of Personal History. Form 912, which was revised in October 2003, is used, among other things, to make character and credit eligibility decisions in determining whether to guarantee or make a loan. The inaccuracies in the electronic version of the form related primarily to questions of citizenship where the check boxes were misaligned and the question was worded incorrectly. These problems were so significant that they could result in loans being provided to ineligible applicants. After learning of the inaccuracies, the company that provided the software corrected the problem and notified its clients of the correction.

SBA regulations state as follows:

Any Applicant or Participant may use computer generated SBA application forms, closing forms, and other forms designated by SBA **if the forms are exact reproductions of SBA forms.** (13 C.F.R. § 120.194; emphasis added)

In addition, the regulations governing denial of 7(a) loan guarantees provide that “SBA is released from liability on a loan guarantee (in whole or in part, within SBA's exclusive discretion), if ... [t]he Lender has failed to use required SBA forms **or exact electronic copies**” 13 C.F.R. § 120.524(a)(9) (emphasis added). These provisions impose an obligation on all SBA employees whose responsibilities pertain to the 7(a) and 504 business loan programs, and to the CDCs and lenders participating in those programs, to exercise vigilance to ensure that electronic or computer-generated forms are “exact reproductions of SBA forms.” Please ensure that electronic forms are accurate and that any inaccuracies be reported to the local district office or the Office of Financial Assistance.

SBA Forms are available to lenders at <http://www.sba.gov/library/forms.html>. If lenders or CDCs have any questions regarding this Notice, they should contact their SBA Economic Development Officer at (216) 522-4180.

Assigning Appropriate Maturities for 7(a) Loans Based on the Use of Proceeds

In an advisory report from the Office of Inspector General (OIG) to the Office of Financial Assistance (OFA), OIG identified an issue regarding lenders assigning inappropriate maturities to loans.

Specifically, in reviewing situations where the borrower received two loans at the same time, the OIG discovered that both loans had maturities of 25 years even though the use of proceeds did not meet SBA’s requirement for the longer term.

Therefore, the purpose of this notice is to remind lenders that the use of proceeds determines the appropriate maturity for an SBA-guaranteed loan. SBA’s policy regarding maximum maturities for 7(a) loans is found in SOP 50 10(4), Subpart B, Chapter 1, para. 7.

The regulation governing 7(a) loan maturities is the following:

Sec. 120.212 What limits are there on loan maturities?

The term of a loan shall be:

- (a) The shortest appropriate term, depending upon the Borrower's ability to repay;
- (b) Ten years or less, unless it finances or refinances real estate or equipment with a useful life exceeding ten years; and
- (c) A maximum of 25 years, including extensions. (A portion of a loan used to acquire or improve real property may have a term of 25 years plus an additional period needed to complete the construction or improvements.)

A maturity of 25 years is reserved for real estate loans. Maturities exceeding 10 years must be documented to demonstrate that the reasonable economic life of the assets acquired with the loan proceeds is greater than ten years.

If you have any questions regarding this notice, please contact your SBA Economic Development Officer at (216) 522-4180.

